

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2022**
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM TO**

Commission file number: 001-38797

IMAC Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

83-0784691
(I.R.S. Employer
Identification No.)

1605 Westgate Circle, Brentwood, Tennessee
(Address of Principal Executive Offices)

37027
(Zip Code)

(844) 266-4622

(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	IMAC	NASDAQ Capital Market
Warrants to Purchase Common Stock	IMACW	NASDAQ Capital Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of May 10, 2022, the registrant had 26,485,167 shares of common stock (par value \$0.001 per share) outstanding.

IMAC HOLDINGS, INC.
TABLE OF CONTENTS

	<u>Page</u>
<u>IMPORTANT INFORMATION REGARDING FORWARD-LOOKING STATEMENTS</u>	3
<u>PART I. FINANCIAL INFORMATION</u>	4
<u>Item 1. Financial Statements (Unaudited)</u>	4
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	21
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	29
<u>Item 4. Controls and Procedures</u>	29
<u>PART II. OTHER INFORMATION</u>	30
<u>Item 1. Legal Proceedings</u>	30
<u>Item 1A. Risk Factors</u>	30
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	30
<u>Item 3. Defaults Upon Senior Securities</u>	31
<u>Item 4. Mine Safety Disclosures</u>	31
<u>Item 5. Other Information</u>	31
<u>Item 6. Exhibits</u>	31

Important Information Regarding Forward-Looking Statements

Portions of this Quarterly Report on Form 10-Q (including information incorporated by reference) include “forward-looking statements” based on our current beliefs, expectations, and projections regarding our business strategies, market potential, future financial performance, industry, and other matters. This includes, in particular, “Item 2 — Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this Quarterly Report on Form 10-Q, as well as other portions of this Quarterly Report on Form 10-Q. The words “believe,” “expect,” “anticipate,” “project,” “could,” “would,” and similar expressions, among others, generally identify “forward-looking statements,” which speak only as of the date the statements were made. The matters discussed in these forward-looking statements are subject to risks, uncertainties, and other factors that could cause our actual results to differ materially from those projected, anticipated, or implied in the forward-looking statements. The most significant of these risks, uncertainties, and other factors are described in “Item 1A — Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 filed with the U.S. Securities and Exchange Commission on April 14, 2022. Except to the limited extent required by applicable law, we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

IMAC HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2022 (Unaudited)	December 31, 2021
ASSETS		
Current assets:		
Cash	\$ 4,275,251	\$ 7,118,980
Accounts receivable, net	1,725,034	1,209,333
Deferred compensation, current portion	196,949	191,657
Other assets	480,278	547,536
Total current assets	6,677,512	9,067,506
Property and equipment, net	2,285,092	2,323,163
Other assets:		
Goodwill	4,661,796	4,661,796
Intangible assets, net	5,552,065	5,797,469
Deferred compensation, net of current portion	26,472	73,816
Security deposits	351,819	357,050
Right of use asset	4,645,217	4,948,393
Total other assets	15,237,369	15,838,524
Total assets	\$ 24,199,973	\$ 27,229,193
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 3,017,799	\$ 2,523,332
Patient deposits	332,519	320,917
Notes payable, current portion	92,799	254,487
Finance lease obligation, current portion	19,258	19,050
Liability to issue common stock, current portion	303,855	337,935
Operating lease liability, current portion	1,472,245	1,478,140
Total current liabilities	5,238,475	4,933,861
Long-term liabilities:		
Notes payable, net of current portion	87,412	104,697
Finance lease obligation, net of current portion	24,379	29,273
Liability to issue common stock, net of current portion	189,375	189,375
Operating lease liability, net of current portion	3,688,249	4,018,926
Total liabilities	9,227,890	9,276,132
Commitment and Contingencies – Note 14		
Stockholders' equity:		
Preferred stock - \$0.001 par value, 5,000,000 authorized, nil issued and outstanding at March 31, 2022 and December 31, 2021, respectively.	-	-
Common stock - \$0.001 par value, 30,000,000 authorized; 27,043,409 and 26,876,409 shares issued at March 31, 2022 and December 31, 2021, respectively; and 26,385,167 and 26,218,167 outstanding at March 31, 2022 and December 31, 2021, respectively.	26,385	26,218
Additional paid-in capital	46,314,757	46,133,777
Accumulated deficit	(31,369,059)	(28,206,934)
Total stockholders' equity	14,972,083	17,953,061
Total liabilities and stockholders' equity	\$ 24,199,973	\$ 27,229,193

See accompanying notes to the unaudited condensed consolidated financial statements.

IMAC HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended	
	March 31,	
	2022	2021
Patient revenues, net	\$ 3,894,987	\$ 3,024,808
Other income	-	3,377
Management fees	-	36,068
Total revenue	<u>3,894,987</u>	<u>3,064,253</u>
Operating expenses:		
Patient expenses	460,473	341,412
Salaries and benefits	3,710,278	2,754,248
Share-based compensation	189,120	110,607
Advertising and marketing	370,488	265,548
General and administrative	1,815,247	1,219,338
Depreciation and amortization	446,772	422,201
Loss on disposal or impairment of assets	47,429	4,043
Total operating expenses	<u>7,039,807</u>	<u>5,117,397</u>
Operating loss	(3,144,820)	(2,053,144)
Other expenses:		
Other expense	(13,174)	-
Interest expense	(4,131)	(176,279)
Total other expenses	<u>(17,305)</u>	<u>(176,279)</u>
Net loss before income taxes	<u>(3,162,125)</u>	<u>(2,229,423)</u>
Income taxes	-	-
Net loss	\$ (3,162,125)	\$ (2,229,423)
Net loss per share attributable to common stockholders		
Basic and diluted	\$ (0.12)	\$ (0.17)
Weighted average common shares outstanding		
Basic and diluted	26,365,734	13,448,567

See accompanying notes to the unaudited condensed consolidated financial statements.

IMAC HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

	<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
	<u>Number of Shares</u>	<u>Par</u>			
Balance, December 31, 2020	12,747,055	\$ 12,747	\$ 25,465,094	\$ (17,664,687)	\$ 7,813,154
Issuance of common stock	11,259,676	11,260	17,198,664	-	17,209,924
Issuance of employee stock options	-	-	39,052	-	39,052
Net loss	-	-	-	(2,229,423)	(2,229,423)
Balance, March 31, 2021	<u>24,006,731</u>	<u>\$ 24,007</u>	<u>\$ 42,702,810</u>	<u>\$ (19,894,110)</u>	<u>\$ 22,832,707</u>

	<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
	<u>Number of Shares</u>	<u>Par</u>			
Balance, December 31, 2021	26,218,167	\$ 26,218	\$ 46,133,777	\$ (28,206,934)	\$ 17,953,061
Issuance of common stock	167,000	167	148,393	-	148,560
Issuance of employee stock options	-	-	32,587	-	32,587
Net loss	-	-	-	(3,162,125)	(3,162,125)
Balance, March 31, 2022	<u>26,385,167</u>	<u>\$ 26,385</u>	<u>\$ 46,314,757</u>	<u>\$ (31,369,059)</u>	<u>\$ 14,972,083</u>

See accompanying notes to unaudited condensed consolidated financial statements.

IMAC HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended	
	March 31,	
	2022	2021
Cash flows from operating activities:		
Net loss	\$ (3,162,125)	\$ (2,229,423)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	446,772	422,201
Share based compensation	189,120	110,607
Loss on disposition or impairment of assets	47,429	4,043
Changes in operating assets and liabilities:		
Accounts receivable, net	(515,701)	(332,471)
Other assets	67,258	(167,193)
Security deposits	5,231	(3,049)
Right of use/lease liability	(33,396)	(40,994)
Accounts payable and accrued expenses	499,819	367,594
Patient deposits	11,602	118,783
Net cash from operating activities	(2,443,991)	(1,749,902)
Cash flows from investing activities:		
Purchase of property and equipment	(218,139)	(65,769)
Brand development	-	(55,045)
Acquisitions	-	(563,500)
Proceeds from sale of property and equipment	2,060	1,250
Net cash from investing activities	(216,079)	(683,064)
Cash flows from financing activities:		
Proceeds from issuance of common stock	-	17,209,924
Payments on notes payable	(178,973)	(1,788,711)
Payments on finance lease obligation	(4,686)	(4,487)
Net cash from financing activities	(183,659)	15,416,726
Net (decrease) increase in cash	(2,843,729)	12,983,760
Cash, beginning of period	7,118,980	2,623,952
Cash, end of period	\$ 4,275,251	\$ 15,607,712
Supplemental cash flow information:		
Interest paid	\$ 4,599	\$ 63,359

See accompanying notes to the unaudited condensed consolidated financial statements.

IMAC HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 – Description of Business

IMAC Holdings, Inc. is a holding company for IMAC Regeneration Centers, The Back Space retail stores and our Investigational New Drug division. IMAC Holdings, Inc. and its affiliates (collectively, the “Company”) provide movement, orthopedic and neurological therapies through its chain of IMAC Regeneration Centers. Through its consolidated and equity owned entities, its outpatient medical clinics provide conservative, non-invasive medical treatments to help patients with back pain, knee pain, joint pain, ligament and tendon damage, and other related soft tissue conditions. The Company has opened or acquired through management service agreements seventeen (17) medical clinics located in Florida, Illinois, Kentucky, Louisiana, Missouri and Tennessee as of March 31, 2022. The Back Space operates a healthcare center specializing in chiropractic and spinal care services inside Walmart retail locations. As of March 31, 2022, the Back Space has opened ten retail clinic locations in Florida, Missouri and Tennessee. The Company’s Investigational New Drug division is conducting a clinical trial for its investigational compound utilizing umbilical cord-derived allogenic mesenchymal stem cells for the treatment of bradykinesia due to Parkinson’s disease.

Note 2 – Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying condensed consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Principles (“GAAP”) in the United States of America (“U.S.”) as promulgated by the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) and with the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”).

The accompanying condensed consolidated financial statements include the accounts of IMAC Holdings, Inc. and the following entities which are consolidated due to direct ownership of a controlling voting interest or other rights granted to us as the sole general partner or managing member of the entity: IMAC Regeneration Center of St. Louis, LLC (“IMAC St. Louis”), IMAC Management Services, LLC (“IMAC Management”), IMAC Regeneration Management, LLC (“IMAC Texas”) IMAC Regeneration Management of Nashville, LLC (“IMAC Nashville”) IMAC Management of Illinois, LLC (“IMAC Illinois”), Advantage Hand Therapy and Orthopedic Rehabilitation, LLC (“Advantage Therapy”), IMAC Management of Florida, LLC (“IMAC Florida”), Louisiana Orthopaedic & Sports Rehab (“IMAC Louisiana”) and The Back Space, LLC (“BackSpace”); the following entity which is consolidated with IMAC Regeneration Management of Nashville, LLC due to control by contract: IMAC Regeneration Center of Nashville, PC (“IMAC Nashville PC”); the following entities which are consolidated with IMAC Management of Illinois, LLC due to control by contract: Progressive Health and Rehabilitation, Ltd., Illinois Spine and Disc Institute, Ltd. and Ricardo Knight, P.C.; the following entity which is consolidated with IMAC Management Services, LLC due to control by contract: Integrated Medicine and Chiropractic Regeneration Center PSC (“Kentucky PC”); the following entities which are consolidated with IMAC Florida due to control by contract: Willmitch Chiropractic, P.A. and IMAC Medical of Florida, P.A.; the following entity which is consolidated with Louisiana Orthopaedic & Sports Rehab due to control by contract: IMAC Medical of Louisiana, a Medical Corporation; and the following entities which are consolidated with BackSpace due to control by contract: ChiroMart LLC, ChiroMart Florida LLC, and ChiroMart Missouri LLC.

In February 2021, the Company completed the asset purchase of and signed a Management Services Agreement with Willmitch Chiropractic, P.A. in Tampa, Florida.

In March 2021, the Company completed the asset purchase of NHC Chiropractic, PLLC dba Synergy Healthcare in Orlando, Florida.

In June 2021, the Company completed the asset purchase of Fort Pierce Chiropractic in Fort Pierce, Florida and Active Medical Center in Naperville, Illinois.

In October 2021, the Company consummated certain transactions resulting in the acquisition of the outstanding equity interest in Louisiana Orthopaedic & Sports Rehab Institute, Inc, an entity which presents the results of Louisiana Medical due to control by contract.

These acquisitions are included in the condensed consolidated financial statements from the date of acquisition. All significant intercompany balances and transactions have been eliminated in consolidation .

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses at the date and for the periods that the condensed consolidated financial statements are prepared. On an ongoing basis, the Company evaluates its estimates, including those related to insurance adjustments and provisions for doubtful accounts. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results could materially differ from those estimates.

COVID-19 Pandemic

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spread globally beyond the point of origin. On March 20, 2020 the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of these condensed consolidated financial statements. As such, it is uncertain as to the full magnitude that the pandemic will have on the Company's combined financial condition, liquidity and future results of operations. Management is actively monitoring the impact of the global situation on its consolidated financial condition, liquidity, operations, suppliers, industry and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Company is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021 beyond the results presented in these condensed consolidated financial statements.

Due to the impacts of COVID-19 we have seen an increase in recruiting and labor costs as well as delays in supply chain.

Revenue Recognition

The Company's patient service revenue is derived from non-surgical procedures performed at our outpatient medical clinics. The fees for such services are billed either to the patient or a third-party payer, including Medicare.

The Company recognizes service revenues based upon the estimated amounts the Company expects to be entitled to receive from patients and third-party payers. Estimates of contractual adjustments are based upon the payment terms specified in the related contractual agreements. The Company also records estimated implicit price concessions (based primarily on historical collection experience) related to uninsured accounts to record these revenues at the estimated amounts expected to be collected.

Starting in January 2020, the Company implemented wellness maintenance programs on a subscription basis. There are currently four membership plans offered with different levels of service for each plan. The Company recognizes membership revenue on a monthly basis. Enrollment in the wellness maintenance program can occur at any time during the month and can be dis-enrolled at any time.

Other management service fees are derived from management services where the Company provides billings and collections support to the clinics and where management services are provided based on state specific regulations known as the corporate practice of medicine ("CPM"). Under the CPM, a business corporation is precluded from practicing medicine or employing a physician to provide professional medical services. In these circumstances, the Company provides all administrative support to the physician-owned PC through a LLC. The PC is consolidated due to control by contract (an "MSA" – Management Services Agreement). The fees we derive from these management arrangements are either based on a predetermined percentage of the revenue of each clinic or a percentage mark up on the costs of the LLC. The company recognize other management service revenue in the period in which services are rendered. These revenues are earned by IMAC Nashville, IMAC Management, IMAC Illinois, IMAC Florida, IMAC Louisiana and the Back Space and are eliminated in consolidation to the extent owned.

Starting in June 2021, the Company introduced BackSpace and began offering outpatient chiropractic and spinal care services as well as memberships services in Walmart retail locations. The fees for such services are paid and recognized as incurred.

Patient Deposits

Patient deposits are derived from patient payments in advance of services delivered. Our service lines include traditional and regenerative medicine. Regenerative medicine procedures are rarely paid by insurance carriers; therefore, the Company typically requires up-front payment from the patient for regenerative services and any co-pays and deductibles as required by the patient specific insurance carrier. For some patients, credit is provided through an outside vendor. In this case, the Company is paid from the credit card company and the risk is transferred to the credit card company for collection from the patient. These funds are accounted for as patient deposits until the procedures are performed at which point the patient deposit is recognized as patient service revenue.

Fair Value of Financial Instruments

The carrying amount of accounts receivable and accounts payable approximate their respective fair values due to the short-term nature. The carrying amount of the line of credit and note payable approximates fair values due to their market interest rates. Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable.

Variable Interest Entities

Certain states prohibit the “corporate practice of medicine,” which restricts business corporations from practicing medical care by exercising control over clinical decisions by doctors. In states which prohibit the corporate practice of medicine, the Company enters into long-term management agreements with professional corporations (“PCs”) that are owned by licensed doctors, which, in turn employ or contract with doctors who provide professional care in its clinics. Under these management agreements with PCs, the Company provides, on an exclusive basis, all non-clinical services of the practice.

The condensed consolidated financial statements include the accounts of variable interest entities (“VIE”) in which the Company is the primary beneficiary under the provisions of the FASB Accounting Standards Codification 810, “Consolidation”. The Company has the power to direct the activities that most significantly impact a VIE’s economic performance. Additionally, the Company would absorb substantially all of the expected losses from any of these entities should such expected losses occur. As of March 31, 2022, the Company’s consolidated VIE’s include 11 PCs.

The total assets (excluding goodwill and intangible assets, net) of the consolidated VIEs included in the accompanying condensed consolidated balance sheets as of March 31, 2022 and December 31, 2021, were approximately \$2.4 million and \$2.2 million respectively, and the total liabilities of the consolidated VIEs were approximately \$883,000 and \$661,000, respectively.

Cash and Cash Equivalents

The Company considers all short-term investments with an original maturity of three months or less to be cash equivalents. The Company had no cash equivalents at March 31, 2022 and December 31, 2021.

Accounts Receivable

Accounts receivable primarily consists of amounts due from third-party payers (non-governmental), governmental payers and private pay patients and is recorded net of allowances for doubtful accounts and contractual discounts. The Company’s ability to collect outstanding receivables is critical to its results of operations and cash flows. Accordingly, accounts receivable reported in the Company’s condensed consolidated financial statements is recorded at the net amount expected to be received.

The Company’s accounts receivable from third-party payers are recorded net of estimated contractual adjustments and allowances from third-party payers, which are estimated based on the historical trend of the Company’s facilities’ cash collections and contractual write-offs, accounts receivable aging, established fee schedules, relationships with payers and procedure statistics. While changes in estimated reimbursement from third-party payers remain a possibility, the Company expects that any such changes would be minimal and, therefore, would not have a material effect on the Company’s financial condition or results of operations. The Company’s collection policies and procedures are based on the type of payor, size of claim and estimated collection percentage for each patient account. The Company analyzes accounts receivable at each of the facilities to ensure the proper collection and aged category. The operating systems generate reports that assist in the collection efforts by prioritizing patient accounts. Collection efforts include direct contact with insurance carriers or patients and written correspondence.

Allowance for Doubtful Accounts, Contractual and Other Discounts

Management estimates the allowance for contractual and other discounts based on its historical collection experience and contracted relationship with the payers. The services authorized and provided and related reimbursement are often subject to interpretation and negotiation that could result in payments that differ from the Company's estimates. The Company's allowance for doubtful accounts is based on historical experience, but management also takes into consideration the age of accounts, creditworthiness and current economic trends when evaluating the adequacy of the allowance for doubtful accounts. An account may be written-off only after the Company has pursued collection efforts or otherwise determines an account to be uncollectible. Uncollectible balances are written-off against the allowance. Recoveries of previously written-off balances are credited to income when the recoveries are made.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Additions and improvements to property and equipment are capitalized at cost. Depreciation of owned assets are computed using the straight-line method over the estimated useful lives and amortization of leasehold improvements are computed using the straight-line method over the shorter of the estimated useful lives of the related assets or the lease term. The cost of assets sold or retired, and the related accumulated depreciation are removed from the accounts and any resulting gains or losses are reflected in other income (expense) for the year. Expenditures for maintenance and repairs are charged to expense as incurred.

Intangible Assets

The Company capitalizes the fair value of intangible assets acquired in business combinations. Intangible assets are amortized on a straight-line basis over their estimated economic useful lives, generally the contract term. The Company performs valuations of assets acquired and liabilities assumed on each acquisition accounted for as a business combination and allocates the purchase price of each acquired business to its respective net tangible and intangible assets. The Company records an impairment loss when the carrying amount of the asset is not recoverable and exceeds its fair value. As of March 31, 2022, the Company decided to close a clinic in Florida with a total intangible carrying amount of approximately \$30,000, which was written off as impaired. As a result, the Company recorded a noncash impairment loss for this amount during the three months ended March 31, 2022. No impairments of intangible assets were recorded for three months ended March 31, 2021.

Goodwill

Our goodwill represents the excess of the purchase price over the fair value of the net identifiable assets acquired and liabilities assumed in business combinations. The goodwill generated from the business combinations is primarily related to the value placed on the employee workforce and expected synergies. Judgment is involved in determining if an indicator or change in circumstances relating to impairment has occurred. Such changes may include, among others, a significant decline in expected future cash flows, a significant adverse change in the business climate, and unforeseen competition.

The goodwill test is performed at least annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The annual impairment test includes an option to perform a qualitative assessment of whether it is more likely than not that a reporting unit's fair value is less than its carrying value; the qualitative test may be performed prior to, or as an alternative to, performing a quantitative goodwill impairment test. If, after assessing the totality of events or circumstances, the Company determines that it is more likely than not that the fair value of a reporting unit is less than its carrying value, then the Company is required to perform the quantitative goodwill impairment test. Otherwise, no further analysis is required.

The Company operates under one reporting unit. The quantitative impairment test involves the comparison of the fair value of the reporting unit to its carrying value. The Company calculates the fair value of each reporting unit using either (i) a discounted cash flows analysis that converts future cash flow amounts into a single discounted present value amount or (ii) a market approach. The Company assesses the valuation methodology based upon the relevance and availability of the data at the time that the valuation is performed. The Company compares the estimate of fair value for the reporting unit to the carrying value of the reporting unit. If the carrying value is greater than the estimate of fair value, an impairment loss will be recognized in the amount of the excess.

The Company performs its annual impairment test during the fourth quarter of the fiscal year. For the year ended December 31, 2021, the Company performed a qualitative impairment test and, based on the totality of information available for the reporting units, the Company concluded that it was more-likely-than-not that the estimated fair values of the reporting units were greater than the carrying values of the reporting units and, as such, no further analysis was required. There was no goodwill impairment for the months presented.

Long-Lived Assets

Long-lived assets such as property and equipment and intangible assets are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. There were no impairments of long-lived assets for the years presented.

Advertising and Marketing

The Company uses advertising and marketing to promote its services. Advertising and marketing costs are expensed as incurred. Advertising and marketing expense was approximately \$370,000 and \$266,000 for the three months ended March 31, 2022 and 2021, respectively.

Net Loss Per Share

Basic net loss per common share is computed by dividing net loss applicable to common stockholders by the weighted-average number of common shares outstanding during the year. Diluted net loss per common share is determined using the weighted-average of common shares outstanding during the year, adjusted for the dilutive effect of common stock equivalents, consisting of the conversion option embedded in convertible debt. The weighted-average number of common shares outstanding excludes common stock equivalents because their inclusion would have an anti-dilutive effect.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Deferred tax assets are required to be reduced by a valuation allowance to the extent that, based on the weight of available evidence, it is more likely than not that the deferred tax assets will not be realized.

Note 3 – Capital Requirements, Liquidity and Going Concern Considerations

The Company's condensed consolidated financial statements are prepared in accordance with GAAP and includes the assumption of a going concern basis, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. However, as shown in the accompanying condensed consolidated financial statements, the Company has sustained substantial losses from operations since inception. The Company had working capital of approximately \$1.4 million at March 31, 2022 and \$4.1 million at December 31, 2021. The Company had a net loss of approximately \$3.2 million at March 31, 2022, and used cash in operations of approximately \$2.4 million for the three months ended March 31, 2022. The Company expects to continue to incur significant expenditures to develop and expand its owned and managed outpatient medical clinics.

Management recognizes that the Company must obtain additional resources to successfully integrate its acquired and managed clinics and implement its business plans. Management plans to continue to raise funds to support our operations in 2022 and beyond. However, no assurances can be given that we will be successful. If management is not able to timely and successfully raise additional capital, the implementation of the Company's business plan, financial condition and results of operations will be materially affected. These condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Note 4 – Concentration of Credit Risks**Cash**

The Company maintains its cash in accounts at financial institutions, which may, at times, exceed federally-insured limits of \$250,000.

Revenue and Accounts Receivable

As of March 31, 2022 and December 31, 2021, the Company had the following revenue and accounts receivable concentrations:

	<u>March 31, 2022</u>		<u>December 31, 2021</u>	
	<u>% of Revenue</u>	<u>% of Accounts Receivable</u>	<u>% of Revenue</u>	<u>% of Accounts Receivable</u>
	(Unaudited)			
Medicare payment	32%	15%	37%	16%

Note 5 – Accounts Receivable

As of March 31, 2022 and December 31, 2021, the Company's accounts receivable consisted of the following:

	<u>March 31, 2022</u>	<u>December 31, 2021</u>
	(Unaudited)	
Gross accounts receivable	\$ 1,806,013	\$ 1,290,312
Less: allowance for doubtful accounts	(80,979)	(80,979)
Accounts receivable, net	<u>\$ 1,725,034</u>	<u>\$ 1,209,333</u>

Note 6 – Business Acquisitions

IMAC Florida

In February 2021, the Company completed the acquisition of and signed Management Services Agreement with Willmitch Chiropractic, P.A. in Tampa, Florida. The transaction was completed for \$421,000. Willmitch Chiropractic's founder, Martin Willmitch, will remain with the Company and serve as Vice President of Managed Care of IMAC Holdings. A total of \$7,400 was allocated to property and equipment with the remaining \$413,600, being allocated to goodwill.

In March 2021, the Company completed the asset purchase of NHC Chiropractic, PLLC dba Synergy Healthcare in Orlando, Florida. The transaction was completed as an asset purchase for \$142,500. A total of \$149,720 was allocated to property and equipment and \$7,220 being allocated to acquired payables.

In June 2021, the Company completed an asset purchase of Fort Pierce Chiropractic in Fort Pierce, Florida. The transaction was completed as an asset purchase for \$50,000. A total of \$45,000 was allocated to property and equipment with the remaining \$5,000 being allocated to customer lists.

IMAC Chicago

In June 2021, the Company also completed an asset purchase of Active Medical Center in Naperville, Illinois. The transaction was completed as an asset purchase for \$205,000. A total of \$200,000 was allocated to property and equipment with the remaining \$5,000 being allocated to deposits.

IMAC Louisiana

In October 2021, the Company consummated certain transactions resulting in the acquisition of the outstanding equity interest in Louisiana Orthopaedic & Sports Rehab Institute, Inc. (the "Louisiana Acquisition"). The transaction was completed for \$1,200,000 and \$1,200,000 stock.

The Company is in the process of completing its formal valuation analysis to identify and determine the fair value of identifiable tangible assets acquired related to this acquisition. Thus, the final allocation of the purchase price may differ from this preliminary allocation, based on completion of the valuation of the identifiable intangible assets. A total of \$192,500 has been allocated to property and equipment with the remaining \$2,207,500 allocated to goodwill. Changes in the estimated valuation will likely result in adjustments to goodwill. The Company does not expect the adjustments to be material.

Note 7 – Property and Equipment

The Company's property and equipment consisted of the following at March 31, 2022 and December 31, 2021:

	<u>Estimated Useful Life in Years</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>
Leasehold improvements	Shorter of asset or lease term	\$ 2,355,951	\$ 2,127,762
Equipment	1.5 - 7	2,951,474	2,810,028
Total property and equipment		5,307,425	4,937,790
Less: accumulated depreciation		(3,082,425)	(2,990,902)
		2,225,000	1,946,888
Construction in progress		60,092	376,275
Total property and equipment, net		\$ 2,285,092	\$ 2,323,163

Depreciation was \$235,089 and \$163,945 for the three months ended March 31, 2022 and 2021, respectively.

Note 8 – Intangibles Assets and Goodwill

The Company's intangible assets and goodwill consisted of the following at March 31, 2022 and December 31, 2021:

	<u>Estimated Useful Life</u>	<u>Cost</u>	<u>March 31, 2022 Accumulated Amortization</u>	<u>Net</u>
<u>Intangible assets:</u>				
Management service agreements	10 years	\$ 7,940,398	\$ (2,698,929)	\$ 5,241,469
Non-compete agreements	3 years	306,000	(303,083)	2,917
Brand development	10 years	69,071	(5,142)	63,929
Definite lived assets		8,315,469	(3,007,154)	5,308,315
Research and development		243,750	-	243,750
Goodwill		4,661,796	-	4,661,796
Total intangible assets and goodwill		\$ 13,221,015	\$ (3,007,154)	\$ 10,213,861

	Estimated Useful Life	December 31, 2021		
		Cost	Accumulated Amortization	Net
Intangible assets:				
Management service agreements	10 years	\$ 7,940,398	\$ (2,500,418)	\$ 5,439,980
Non-compete agreements	3 years	306,000	(302,458)	3,542
Customer lists	3 years	134,882	(89,921)	44,961
Brand development	15 years	69,071	(3,835)	65,236
Definite lived assets		8,450,351	(2,896,632)	5,553,719
Research and development		243,750	-	243,750
Goodwill		4,661,796	-	4,661,796
Total intangible assets and goodwill		\$ 13,355,897	\$ (2,896,632)	\$ 10,459,265

Amortization was \$211,683 and \$258,256 for the three months ended March 31, 2022 and 2021, respectively.

The Company's estimated future amortization of intangible assets was as follows:

Years Ending December 31,	
2022 (nine months)	\$ 600,858
2023	799,686
2024	798,645
2025	798,645
2026	798,645
Thereafter	1,511,836
	\$ 5,308,315

Note 9 – Operating Leases

On January 1, 2019, the Company adopted ASC 842 using the modified retrospective method applied to leases that were in place at January 1, 2019. Results for operating periods beginning after January 1, 2019 are presented under ASC 842, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under ASC 840. The Company's leases consist of operating leases that mostly relate to real estate rental agreements. Most of the value of the Company's lease portfolio relates to real estate lease agreements that were entered into starting March 2017.

Discount Rate Applied to Operating Leases

To determine the present value of minimum future lease payments for operating leases at January 1, 2019, the Company was required to estimate a rate of interest that we would have to pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment (the "incremental borrowing rate" or "IBR").

The Company determined the appropriate IBR by identifying a reference rate and making adjustments that take into consideration financing options and certain lease-specific circumstances. For the reference rate of leases added as of March 31, 2022 and December 31, 2021, the Company used a weighted average interest rate.

Total operating lease cost

Individual components of the total lease cost incurred by the Company were as follows:

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Operating lease expense	\$ 410,066	\$ 293,793

Minimum rental payments under operating leases are recognized on a straight light basis over the term of the lease.

Maturity of operating leases

The Company's amount of future minimum lease payments under operating leases are as follows:

	Operating Leases
Undiscounted future minimum lease payments:	
2022 (nine months)	\$ 1,274,383
2023	1,612,648
2024	1,223,487
2025	869,279
2026	576,741
Thereafter	167,306
Total	5,723,844
Amount representing imputed interest	(563,350)
Total operating lease liability	5,160,494
Current portion of operating lease liability	(1,472,245)
Operating lease liability, non-current	\$ 3,688,249

Note 10 – Notes Payable

Set forth below is a summary of the Company's outstanding debt as of March 31, 2022 and December 31, 2021:

	March 31, 2022	December 31, 2021
Note payable to a financial institution in the amount of \$200,000 dated November 15, 2017. The note requires 66 consecutive monthly installments of \$2,652 including principal and interest at 5%, with a balloon payment of \$60,000 which was paid on June 15, 2018. The note matures on May 15, 2023, and is secured by the personal guarantees of certain Company executives.	\$ 35,970	\$ 43,413
Note payable to a financial institution in the amount of \$131,400 dated August 1, 2016. The note requires 120 monthly installments of \$1,394 including principal and interest at 5%. The note matures on July 1, 2026, and is secured by a letter of credit.	65,038	68,378
\$112,800 payable to a landlord of Advantage Therapy, LLC pursuant to a lease dated March 1, 2019. The debt is payable in 60 monthly installments of \$2,129, including principal and interest at 5%. The debt matures on June 1, 2024.	54,252	59,913
Note payable to a financial institution in the amount of \$140,000, dated September 25, 2019. The note requires 36 consecutive monthly installments of \$4,225 including principal and interest at 5.39%. The note matures on September 19, 2022 and is secured by a personal guarantee of the Vice President of Business Development of the Company.	24,951	37,179
Note payable in the amount of \$2,690,000, dated October 29, 2020. The note was repaid January 2022. The interest on the note accrued at a rate of 7% per annum.	-	150,301
	180,211	359,184
Less: current portion:	(92,799)	(254,487)
	<u>\$ 87,412</u>	<u>\$ 104,697</u>

Principal maturities of the Company's notes payable are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2022 (nine months)	\$ 75,515
2023	51,657
2024	27,631
2025	15,813
2026	9,595
Thereafter	-
Total	<u>\$ 180,211</u>

Note 11 – Stockholders' Equity

On October 5, 2020, the Company launched an at-the-market offering of up to \$5,000,000 worth of shares of the Company's common stock pursuant to an At-The-Market Issuance Sales Agreement, dated October 5, 2020, by and between the Company and Ascendant Capital Markets, LLC. Since the launch and as of March 31, 2022, pursuant to the Agreement, the Company had sold 1,541,758 shares of common stock through Ascendant Capital Markets for aggregate proceeds to the Company of \$2.9 million. The Company sold 634,676 shares during the three months ending March 31, 2021 and no shares were sold for the three months ending March 31, 2022.

During March 2021, the Company completed a public offering by issuing 10,625,000 shares of common stock for gross proceeds of \$17.0 million and incurring \$1.2 million in expenses related to public offering. The Company used approximately \$1.8 million for the repayment of certain indebtedness and is using the remaining proceeds for the repayment of certain other indebtedness, to finance the costs of developing and acquiring additional outpatient medical clinics and healthcare centers as part of the Company's growth and expansion strategy and for working capital.

On April 7, 2021 the Company closed on the sale of an additional 1,193,750 shares of common stock at the recent public offering price of \$1.60 per share, pursuant to the 15% over-allotment option exercised in full by the underwriters in connection with its public offering that closed March 2021. The Company received gross proceeds of \$1.91 million and incurred approximately \$115,000 in additional expenses.

On October 1, 2021, the Company completed a stock purchase agreement and issued 810,811 shares of its common stock as consideration. This transaction was part of the \$1,200,000 in stock consideration for the Louisiana Acquisition.

2018 Incentive Compensation Plan

The Company's board of directors and holders of a majority of outstanding shares approved and adopted the Company's 2018 Incentive Compensation Plan ("2018 Plan") in May 2018, reserving the issuance of up to 1,000,000 shares of common stock (subject to certain adjustments) upon exercise of stock options and grants of other equity awards. The 2018 Plan provides for the grant of incentive stock options ("ISOs"), nonstatutory stock options, stock appreciation rights, restricted stock awards, restricted stock unit awards, performance-based stock awards, other forms of equity compensation and performance cash awards. ISOs may be granted only to employees. All other awards may be granted to employees, including officers, and to the Company's non-employee directors and consultants, and affiliates.

Stock Options

As of March 31, 2022, the Company had issued stock options to purchase 353,843 shares of its common stock as non-qualified stock options to various employees of the Company. Most options vest over a period of four years, with 25% vesting after one year and the remaining 75% vesting in equal monthly installments over the following 36 months and are exercisable for a period of ten years. One award granted in 2021 vests over a period of one year and is exercisable for a period of ten years. Stock based compensation for stock options is estimated at the grant date based on the fair value calculated using the Black-Scholes method. The per-share fair values of these options is calculated based on the Black-Scholes-Merton pricing model.

Restricted Stock Units

On May 21, 2019, the Company granted an aggregate of 277,500 Restricted Stock Units (“RSUs”) to certain employees, executives and directors of the Company, the terms of which vest over various periods between the date of grant and May 21, 2023. On August 13, 2019, 30,000 shares of common stock were issued pursuant to previously granted RSUs which had vested as of such date.

On October 20, 2020, the Company granted an aggregate of 300,000 RSUs to Board members with these RSUs vesting in eight equal quarterly installments commencing on February 1, 2021, provided the Board members remain directors of the Company. Effective October 2021, the vesting schedule was amended to a one-year vesting period. As of December 31, 2021, 150,000 RSUs had vested and were issued to the Board members.

On January 30, 2021, the Company granted an aggregate of 17,000 RSUs to non-executive staff and contractors with these RSUs vesting after one year.

On October 27, 2021, the Company granted 10,000 RSUs to a consultant that vested immediately.

On February 21, 2022, the Company granted 100,000 RSUs to an executive that vested immediately.

Note 12 – Retirement Plan

The Company offers a 401(k) plan that covers eligible employees. The plan provides for voluntary salary deferrals for eligible employees. Additionally, the Company is required to make matching contributions of 50% of up to 6 % of total compensation for those employees making salary deferrals. The Company made contributions of \$34,808 and \$34,074 during the three months ended March 31, 2022 and 2021, respectively.

Note 13 – Income Taxes

ASC 740 requires a valuation allowance to reduce the deferred tax assets reported if, based on the weight of all available positive and negative evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Management assessed all available evidence to estimate if sufficient future taxable income will be generated in the appropriate period and of the appropriate character to realize deferred tax assets. For the three months ended March 31, 2022 and March 31, 2021, no income tax expense or benefit was recorded related to income taxes due to the Company’s overall operating results and the full valuation allowance.

The Company performed a comprehensive review of its uncertain tax positions and determined that no adjustments were necessary relating to unrecognized tax benefits as December 31, 2021. As of March 31, 2022, the Company had no unrecognized tax benefits recorded. The Company is subject to taxation by federal, state, and local taxing authorities. The Company’s federal, state, and local income tax returns are subject to examination by taxing authorities for three years after the returns are filed, and the Company’s federal, state, and local income tax returns for 2018 through 2020 remain open to examination.

Note 14 – Commitments and Contingencies

The Company accrues a liability and charges operations for the estimated costs of contingent liabilities, including adjudication or settlement of various asserted and unasserted claims existing as of the balance sheet date, where there is a reasonable possibility that a loss has been incurred and the loss (or range of probable loss) is estimable.

From time to time the Company may become subject to threatened and/or asserted claims arising in the ordinary course of our business. Other than the matter described below, management is not aware of any matters, either individually or in the aggregate, that are reasonably likely to have a material impact on the Company's financial condition, results of operations or liquidity.

Third Party Audit

From time to time, in the ordinary course of business, we are subject to audits under various governmental programs in which third party firms engaged by the Center for Medicare & Medicaid Services ("CMS") conduct extensive reviews of claims data to identify potential improper payments. We cannot predict the ultimate outcome of any regulatory reviews or other governmental audits and investigations.

On June 3, 2021, the Company received a request for payment from CMS in the amount of \$2,918,472. The Company initiated the appropriate appeals and then the Company received a notification dated September 30, 2021, from CMS that they "found the request to be favorable by reversing the extrapolation to actual". The Company received a separate notification stating "the extrapolated overpayment was reduced to the actual overpayment amount for the sampled denied claims \$5,327.73," which was paid in 2021.

This amount represented a statistical extrapolation of \$11,530 of charges from a sample of 40 claims for the periods February 2017 to November 2020. The Company began its own internal audit process and disagrees with the interpretation of the medical records and the extrapolation techniques used to derive the balance. The Company continued the appeals process to the second level appeal related to the error rate and are anticipating a third appeal on the remaining \$5,327.73 amount.

At this stage of the appeals process, based on the information currently available to the Company, the Company is unable to predict the timing and ultimate outcome of this matter and therefore is unable to estimate the range of possible loss. Any potential loss may be classified as errors and omissions for which insurance coverage was in place during a majority of the years being evaluated.

On October 21, 2021, the Company received notification from Covent Bridge Group, a Center for Medicare & Medicaid Services ("CMS") contractor, that they are recommending to CMS that the Company was overpaid in the amount of \$2,716,056.33. This amount represents a statistical extrapolation of \$6,791.33 of charges from a sample of 38 claims for the periods July 2017 to November 2020 for Progressive Health & Rehabilitation, Ltd ("Progressive Health"). The Company entered into a management agreement with Progressive Health in April 2019 and therefore liable for only a portion of the sampled claims. There were a total of 38 claims reviewed, 25 of these claims were from the period prior to the management agreement with the Company and the remaining 13 claims were related to the period that Progressive Health was managed by the Company. In December 2021, the Company received a request for payment from CMS in the amount of \$2,709,265. The Company has begun its own internal audit process and has initiated the appropriate appeals.

As of March 31, 2022, the Company has not recorded a provision for this claim, as management does not believe that an estimate of a possible loss or range of loss can reasonably be made at this time.

Note 15 - Subsequent Events

None.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth previously under the caption "Risk Factors." This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our audited consolidated financial statements and related notes included elsewhere in this report.

The results of operations for the periods reflected herein are not necessarily indicative of results that may be expected for future periods.

References in this MD&A to "we," "us," "our," "our company," "our business" and "IMAC Holdings" are to IMAC Holdings, Inc., a Delaware corporation and prior to the Corporate Conversion (defined below), IMAC Holdings, LLC, a Kentucky limited liability company, and the following entities which are consolidated due to direct ownership of a controlling voting interest or other rights granted to us as the sole general partner or managing member of the entity: IMAC Regeneration Center of St. Louis, LLC ("IMAC St. Louis"), IMAC Management Services, LLC ("IMAC Management"), IMAC Regeneration Management, LLC ("IMAC Texas") IMAC Regeneration Management of Nashville, LLC ("IMAC Nashville") IMAC Management of Illinois, LLC ("IMAC Illinois"), Advantage Hand Therapy and Orthopedic Rehabilitation, LLC ("Advantage Therapy"), IMAC Management of Florida, LLC ("IMAC Florida"), Louisiana Orthopaedic & Sports Rehab ("IMAC Louisiana") and The Back Space, LLC ("BackSpace"); the following entity which is consolidated with IMAC Regeneration Management of Nashville, LLC due to control by contract: IMAC Regeneration Center of Nashville, PC ("IMAC Nashville PC"); the following entities which are consolidated with IMAC Management of Illinois, LLC due to control by contract: Progressive Health and Rehabilitation, Ltd., Illinois Spine and Disc Institute, Ltd. and Ricardo Knight, P.C.; the following entity which is consolidated with IMAC Management Services, LLC due to control by contract: Integrated Medicine and Chiropractic Regeneration Center PSC ("Kentucky PC"); the following entities which are consolidated with IMAC Florida due to control by contract: Willmitch Chiropractic, P.A. and IMAC Medical of Florida, P.A.; the following entity which is consolidated with Louisiana Orthopaedic & Sports Rehab due to control by contract: IMAC Medical of Louisiana, a Medical Corporation; and the following entities which are consolidated with BackSpace due to control by contract: ChiroMart LLC, ChiroMart Florida LLC, and ChiroMart Missouri LLC.

Overview

We are a provider of movement and orthopedic therapies and minimally invasive procedures performed through our regenerative and rehabilitative medical treatments to improve the physical health of our patients at our chain of IMAC Regeneration Centers and BackSpace clinics which we own or manage. Our outpatient medical clinics provide conservative, minimally invasive medical treatments to help patients with back pain, knee pain, joint pain, ligament and tendon damage, and other related soft tissue conditions. Our licensed healthcare professionals evaluate each patient and provide a custom treatment plan that integrates traditional medical procedures and innovative regenerative medicine procedures in combination with physical medicine. We do not use or offer opioid-based prescriptions as part of our treatment options in order to help our patients avoid the dangers of opioid abuse and addiction. The original IMAC Regeneration Center opened in Kentucky in August 2000 and remains the flagship location of our current business, which was formally organized in March 2015. To date, we have fifteen outpatient medical clinics in Florida, Illinois, Kentucky, Louisiana, Missouri and Tennessee, and plan to further expand the reach of our facilities to other strategic locations throughout the United States. We have ten BackSpace locations opened in Florida, Missouri and Tennessee. Our outpatient medical clinics emphasize our focus around treating sports and orthopedic injuries as an alternative to traditional surgeries for repair or joint replacement.

We own our medical clinics directly or have entered into long-term management services agreements to operate and control certain of our medical clinics by contract. Our preference is to own the clinics; however, some state laws restrict the corporate practice of medicine and require a licensed medical practitioner to own the clinic. Accordingly, our managed clinics are owned exclusively by a medical professional within a professional service corporation (formed as a limited liability company or corporation) and are under common control with us in order to comply with state laws regulating the ownership of medical practices. We are compensated under management services agreements through service fees based on the cost of the services provided, plus a specified markup percentage, and a discretionary annual bonus determined in the sole discretion of each professional service corporation.

Significant financial metrics

Significant financial metrics of the Company for the first quarter of 2022 are set forth in the bullets below.

- Net patient revenue increased to \$3.9 million for the first quarter of 2022 from \$3.0 million for the first quarter of 2021.
 - Working capital is \$1.4 million as of March 31, 2022 compared to working capital of \$4.1 million as of December 31, 2021.
 - Adjusted EBITDA¹ of (\$2.5 million) in the first quarter of 2022 compared to (\$1.5 million) in the first quarter of 2021.
 - Opened 6 BackSpace locations during the first quarter of 2022.
 - The Company had one-time expenses of \$228,000, consisting of: \$131,000 in executive sign-on bonus and other compensation, \$67,000 in post earn-out expense, and \$30,000 in one-time consulting fees.
- (1) Adjusted EBITDA is a non-GAAP financial measure most closely comparable to the GAAP measure of net loss. See “Reconciliation of Non-GAAP Financial Matters” below for a full reconciliation of the GAAP and non-GAAP measures.

Impacts of Recent Economic Events and COVID-19

The Company has been impacted by recent events such as inflation, the ongoing COVID-19 pandemic and supply chain delays. Our response plan has multiple facets and continues to evolve as events unfold. As a precautionary measure, we have taken steps to enhance our operational and financial flexibility to react to the risks the COVID-19 outbreak presents to our business.

The COVID-19 outbreak appears likely to cause significant economic harm across the United States, and the negative economic conditions that may result in reduced patient demand in our industry. We may experience a material loss of patients, revenue and market share as a result of the suspension of any operations. Initiatives to implement telehealth engagement with patients may not be adopted by existing and new patients. Patient habits may also be altered in the medium to long term. Negative economic conditions, a decrease in our revenue and consequent longer term trends harmful to our business may all exert pressure on our company during the pendency of emergency restrictions on our operations and beyond.

We cannot predict with certainty when public health and economic conditions will return to normal. A decline in patient visits in response to the COVID-19 outbreak, and the consequent loss of revenue and cash flow during this period may make it difficult for us to obtain capital necessary to fund our operations. Due to the impacts of economic events and COVID-19 we have seen an increase in recruiting and labor costs as well as delays in supply chain.

Matters that May or Are Currently Affecting Our Business

We believe that the growth of our business and our future success depend on various opportunities, challenges, trends and other factors, including the following:

- Our ability to identify, contract with, install equipment and operate a large number of outpatient medical clinics and attract new patients to them;
- Our need to hire additional healthcare professionals in order to operate the large number of clinics we intend to open;
- Our ability to enhance revenue at each facility on an ongoing basis through additional patient volume and new services;
- Our ability to obtain additional financing for the projected costs associated with the acquisition, management and development of new clinics, and the personnel involved, if and when needed;
- Our ability to attract competent, skilled medical and sales personnel for our operations at acceptable prices to manage our overhead; and
- Our ability to control our operating expenses as we expand our organization into neighboring states.

Results of Operations for the Three Months Ended March 31, 2022 Compared to the Three Ended March 31, 2021

We own our medical clinics directly or have entered into long-term management services agreements to operate and control these medical clinics by contract. Our preference is to own the clinics; however, some state laws restrict the corporate practice of medicine and require a licensed medical practitioner to own the clinic. Accordingly, our managed clinics are owned exclusively by a medical professional within a professional service corporation (formed as a corporation or a limited liability company) under common control with us or eligible members of our company in order to comply with state laws regulating the ownership of medical practices. We are compensated under management services agreements through service fees based on the cost of the services provided, plus a specified markup percentage, and a discretionary annual bonus determined in the sole discretion of each professional service corporation.

Revenues

Our revenue mix is diversified between medical treatments and physiological treatments. Our medical treatments are further segmented into traditional medical and regenerative medicine practices. We are an in-network provider for traditional physical medical treatments, such as physical therapy, chiropractic services and medical evaluations, with most private health insurance carriers. Regenerative medical treatments are typically not covered by insurance, but paid by the patient. For more information on our revenue recognition policies, see “Notes to the Consolidated Financial Statements” that were included in the Form 10-K.

Revenues for the three months ended March 31, 2022 and 2021 were as follows:

	Three Months Ended	
	March 31,	
	2022	2021
	<i>(in thousands, unaudited)</i>	
Revenues:		
Outpatient facility services	\$ 3,661	\$ 2,880
Memberships	234	145
Total revenues	\$ 3,895	\$ 3,025

See the table below for more information regarding our revenue breakdown by service type.

	Three Months Ended March 31,	
	2022	2021
Revenues:		
Medical treatments	68%	63%
Physical therapy	24%	30%
Chiropractic care	2%	2%
Memberships	6%	5%
	100%	100%

Consolidated Results

Total revenues increased approximately \$870,000 due to acquisitions, same-store growth, and opening of retail clinics. Visits to our clinics are an indication of business activity. Total visits increased 6% for the three months ended March 31, 2022 compared to the three months ended March 31, 2021. Visits increased from 38,381 in the first quarter of 2021 to 40,866 in the first quarter of 2022.

IMAC Clinics

Of the total revenue increase, approximately \$763,000 is attributed to the increase of revenues for IMAC Clinics. Same-store revenues increased \$23,000 overall for the three months ended March 31, 2022 compared to the three months ended March 31, 2021. This increase was driven by the closure of four IMAC clinics resulting in a decrease of \$138,000 however the remaining same stores increased \$160,000. New clinics attributed to approximately \$740,000 of the overall increase.

A wellness membership program was implemented at IMAC Clinics in January 2020 and this wellness program has different plan levels that include services for chiropractic care and medical treatments on a monthly subscription basis. Therefore, memberships could have multiple visits in one month, however only one payment is received for these visits. IMAC Clinics had 934 and 1,048 active members for the three months ended in March 31, 2022 and 2021, respectively. The membership decrease is attributable to adverse weather and a 10% price increase to the most popular membership plan.

BackSpace Clinics

The Company began opening retail clinics in Walmart in June 2021 and as of March 31, 2022 IMAC had ten clinics opened in Florida, Missouri and Tennessee. The retail clinics provides outpatient chiropractic and spinal care services. BackSpace offers a single visit and membership plan for chiropractic care on a monthly subscription basis. As of March 31, 2022, 75% of the BackSpace revenue was related to memberships.

Operating Expenses

Operating expenses consist of patient expenses, salaries and benefits, share based compensation, advertising and marketing, general and administrative expenses and depreciation expenses.

Patient expenses consist of medical supplies for services rendered.

Patient Expenses	2022	2021	Change from Prior Year	Percent Change from Prior Year
Three Months Ended March 31	\$ 460,000	\$ 341,000	\$ 119,000	35%

Cost of revenues (patient expense) increased for the three months ended March 31, 2022 as compared to March 31, 2021, due to an increase in business. Patient expense as a percent of revenue has remained consistent from 11.8% for the first quarter of 2022 compared to 11.3% for the first quarter of 2021.

Salaries and benefits consist of payroll, benefits and related party contracts.

Salaries and Benefits	2022	2021	Change from Prior Year	Percent Change from Prior Year
Three Months Ended March 31	\$ 3,710,000	\$ 2,754,000	\$ 956,000	35%

Salaries and benefits expenses for the three months ended March 31, 2022, as compared to the three months ended March 31, 2021, increased due to the hiring of new providers for the 10 BackSpace clinics and 4 new IMAC clinics opened since March 31, 2021.

Share-based compensation consists of the value of equity incentive grants issued to employees, directors and board members which have vested during the period.

Share-based Compensation	2022	2021	Change from Prior Year	Percent Change from Prior Year
Three Months Ended March 31	\$ 189,000	\$ 111,000	\$ 78,000	70%

Share-based compensation increased 70% for the three months ended March 31, 2022, as compared to the three months ended March 31, 2021 due to \$106,000 in Restricted Stock Units (RSUs) awarded in February 2022.

Advertising and marketing consist of marketing, business promotion and brand recognition.

Advertising and Marketing	2022	2021	Change from Prior Year	Percent Change from Prior Year
Three Months Ended March 31	\$ 370,000	\$ 266,000	\$ 104,000	39%

Advertising and marketing expenses increased \$104,000 for the three months ended March 31, 2022, as compared to the three months ended March 31, 2021. This increase is attributable to the increase of online and television marketing programs for the existing and new clinics as well as the launch of new BackSpace clinics.

General and administrative expense ("G&A") consist of all other costs than advertising and marketing, salaries and benefits, patient expenses and depreciation.

General and Administrative	2022	2021	Change from Prior Year	Percent Change from Prior Year
Three Months Ended March 31	\$ 1,815,000	\$ 1,219,000	\$ 596,000	49%

G&A increased in the three months ended March 31, 2022 as compared to the three months ended March 31, 2021. There was a \$117,000 increase in rent expense from the first quarter of 2021 compared to the first quarter of 2022 due to the 4 new IMAC clinic locations as well as the 10 Backspace locations. The Company had an increase of \$46,000 in travel expenses in the first quarter of 2022 compared to the first quarter of 2021 due to the increase in travel since COVID-19 as well as preparing the new Backspace locations for opening. There was a \$141,000 increase in contractors and consultants related to collaborative agreements, Backspace operations and Louisiana valuation. Software and other subscriptions increased \$93,000 in the first quarter of 2022 compared to the first quarter of 2021, which is attributable to the new IMAC locations and Backspace. See FDA impact below.

FDA Clinical Trial

In August 2020, the United States Food and Drug Administration (the “FDA”) approved the Company’s investigational new drug application. The Company has begun the third cohort of Phase 1 of the clinical trial, which will be completed during the summer of 2022. The Company incurred \$104,000 in G&A expenses related to consultants, supplies, software and travel for the clinic trial during the three months ended March 31, 2022 compared to \$81,000 in the three months ended March 31, 2021. Salaries related to the trial were \$22,000 for the three months ended March 31, 2022 compared to \$30,000 for the three months ended March 31, 2021.

Depreciation is related to our property and equipment purchases to use in the course of our business activities. Amortization is related to our business acquisitions.

Depreciation and Amortization	2022	2021	Change from Prior Year	Percent Change from Prior Year
Three Months Ended March 31	\$ 447,000	\$ 422,000	\$ 25,000	6%

Depreciation and amortization increased for the three months ended March 31, 2022 compared to the three months ended March 31, 2021. The increase is attributable to the assets added from 2021 acquisitions as well as the 10 new Backspace locations.

Depreciation is related to our property and equipment purchases to use in the course of our business activities. Amortization is related to our business acquisitions.

Loss on disposal and impairment	2022	2021	Change from Prior Year	Percent Change from Prior Year
Three Months Ended March 31	\$ 47,000	\$ 4,000	\$ 43,000	1,075%

Loss on disposal and impairment increased \$43,000 for the three months ended March 31, 2022 compared to the three months ended March 31, 2021. IMAC made a decision in March 2022 to close the Bonita Springs office and therefore the value of the customer list was impaired, which attributed to \$33,000 of this increase. The remaining balance is related to the disposal of fixed assets.

Analysis of Cash Flows

The primary source of our operating cash flow is the collection of accounts receivable from patients, private insurance companies, government programs, self-insured employers and other payers.

During the three months ended March 31, 2022, net cash used in operations increased to \$2.4 million compared to \$1.7 million for the three months ended March 31, 2021. This difference was primarily attributable to the increase in accounts receivable, which was related to the change in the payor mix. There increase was also attributed to an increase in share-based compensation and prepaid balance during the three months ended March 31, 2022.

Net cash used in investing activities during the three months ended March 31, 2022 and 2021 was approximately \$216,000 and \$683,000, respectively. This was primarily driven by the acquisitions made during the quarter ended March 31, 2021 totaling approximately \$564,000.

Net cash used in financing activities during the three months ended March 31, 2021 was approximately \$184,000, which mostly consisted of debt payments of approximately \$179,000.

Reconciliation of Non-GAAP Financial Measures

This report contains certain non-GAAP financial measures, including non-GAAP net income and adjusted EBITDA, which are used by management in analyzing our financial results and ongoing operational performance.

In order to better assess the Company's financial results, management believes that net income before interest, income taxes, stock based compensation, and depreciation and amortization ("adjusted EBITDA") is a useful measure for evaluating the operating performance of the Company because adjusted EBITDA reflects net income adjusted for certain non-cash and/or non-operating items. We also believe that adjusted EBITDA is useful to many investors to assess the Company's ongoing results from current operations. Adjusted EBITDA is a non-GAAP financial measure and should not be considered a measure of financial performance under GAAP. Because adjusted EBITDA is not a measurement determined in accordance with GAAP, such non-GAAP financial measures are susceptible to varying calculations. Accordingly, adjusted EBITDA, as presented, may not be comparable to other similarly titled measures of other companies.

This non-GAAP financial measure should not be considered as a substitute for, or superior to, measures of financial performance which are prepared in accordance with US GAAP and may be different from non-GAAP financial measures used by other companies and have limitations as analytical tools.

A reconciliation of adjusted EBITDA to the most directly comparable GAAP measure is set forth below.

	Three Months Ended	
	March 31, 2022	March 31, 2021
GAAP loss attributable to IMAC Holdings, Inc.	\$ (3,162,000)	\$ (2,229,000)
Interest expense	4,000	176,000
Other expense	13,000	-
Share-based compensation expense	189,000	111,000
Depreciation and amortization	447,000	422,000
Loss on disposition and impairment of assets	47,000	4,000
Adjusted EBITDA	<u>\$ (2,462,000)</u>	<u>\$ (1,516,000)</u>

Liquidity and Capital Resources

As of March 31, 2022, we had \$4 million in cash and working capital of \$1.4 million. As of December 31, 2021, we had cash of \$7.1 million and working capital of \$4.1 million. The decrease in working capital was primarily due to the use of cash for operating expenses during the three months ended March 31, 2022.

We believe our cash at March 31, 2022 along with ongoing operations will be sufficient to meet our cash, operational and liquidity requirements for at least 12 months.

As of March 31, 2022, we had approximately \$5.2 million in current liabilities. Operating leases represent \$1.5 million of our current liabilities. Of our remaining current liabilities as of March 31, 2022, approximately \$1.2 million in current liabilities outstanding to our vendors, which we have historically paid down in the normal course of our business and accrued expenses represent approximately \$806,000 of the balance. Lastly, accrued wages, taxes, 401k contributions and paid time off represent approximately \$1.1 million of the remaining current liabilities.

On October 29, 2020, the Company entered into the October Purchase Agreement with Iliad Research & Trading, L.P., pursuant to which the Company agreed to issue and sell to the Holder a secured promissory note in an initial principal amount of \$2,690,000, which is payable on or before April 29, 2022. The October Principal Amount includes an original discount of \$175,000 and \$15,000 that the Company agreed to pay to the Holder to cover the Holder's legal fees, accounting costs, due diligence and other transaction costs. In exchange for the October Note, the Holder paid a purchase price of \$2,500,000. The October Purchase Agreement also provides for indemnification of the Holder and its affiliates in the event that they incur loss or damage related to, amount other things, breach by the Company of any of its representations, warranties or covenants under the October Purchase Agreement. In connection with the October Purchase Agreement and the October Note, the Company entered into a Security Agreement with the Holder, pursuant to which the obligations of the Company is secured by all of the assets of the Company, excluding the Company's accounts receivable and intellectual property. Upon an event of default under the October Note, the October Security Agreement entitles the Holder to take possession of such collateral; provided that the Holder's security interest and remedies with respect to the collateral are junior in priority to the security interest previously granted by the Company to the Holder in connection with a separate financing entered into by them on March 25, 2020, for which the Holder holds a senior, first-priority security interest in the same collateral.

On March 26, 2021, the Company completed a public offering by issuing 10,625,000 shares of common stock for gross proceeds of \$17 million. The Company used approximately \$1.8 million for the repayment of certain indebtedness and is using the remaining proceeds for the repayment of certain other indebtedness, to finance the costs of developing and acquiring additional outpatient medical clinics and healthcare centers as part of the Company's growth and expansion strategy and for working capital.

These events served to mitigate the conditions that historically raised substantial doubt about the Company's ability to continue as a going concern.

Contractual Obligations

The following table summarizes our contractual obligations by period as of March 31, 2022:

	Payments Due by Period				
	Total	Less Than 1 Year	1-3 Years	4-5 Years	More Than 5 Years
Short-term obligations	\$ 80,921	\$ 80,921	\$ -	\$ -	\$ -
Long-term obligations, including interest	111,498	-	101,748	9,750	-
Finance lease obligations, including interest	49,980	18,171	31,809	-	-
Operating lease obligations	5,723,844	1,274,383	3,705,414	662,356	81,691
	<u>\$ 5,966,243</u>	<u>\$ 1,373,475</u>	<u>\$ 3,838,971</u>	<u>\$ 672,106</u>	<u>\$ 81,691</u>

Off-Balance Sheet Arrangements

As of March 31, 2022, the Company did not have any off-balance sheet arrangements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Securities Exchange Act of 1934 (the “Exchange Act”) reports is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, we recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As further discussed below, we carried out an evaluation, under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Based on that evaluation, our chief executive officer and chief financial officer concluded that, because of certain material weaknesses in our internal control over financial reporting our disclosure controls and procedures as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act were not effective as of March 31, 2022. The material weaknesses relate to the absence of in-house accounting personnel with the ability to properly account for complex transactions and a lack of separation of duties between accounting and other functions.

We hired a consulting firm to advise on technical issues related to U.S. GAAP as related to the maintenance of our accounting books and records and the preparation of our consolidated financial statements. Although we are aware of the risks associated with not having dedicated accounting personnel, we are also at an early stage in the development of our business. We anticipate expanding our accounting functions with dedicated staff and improving our internal accounting procedures and separation of duties when we can absorb the costs of such expansion and improvement with additional capital resources. In the meantime, management will continue to observe and assess our internal accounting function and make necessary improvements whenever they may be required. If our remedial measures are insufficient to address the material weakness, or if additional material weaknesses or significant deficiencies in our internal control over financial reporting are discovered or occur in the future, our consolidated financial statements may contain material misstatements, and we could be required to restate our financial results. In addition, if we are unable to successfully remediate this material weakness and if we are unable to produce accurate and timely financial statements, our stock price may be adversely affected and we may be unable to maintain compliance with applicable stock exchange listing requirements.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control—Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Based on our evaluation under the framework in *Internal Control—Integrated Framework* (2013), our management concluded that, because of certain material weaknesses in our internal control over financial reporting our disclosure controls and procedures as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act were not effective as of March 31, 2022.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rules 13a-15 or 15d-15 under the Exchange Act that occurred during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we may become involved in various lawsuits and legal proceedings that arise in the ordinary course of our business, as described below. Litigation is, however, subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. We are currently not aware of any legal proceedings or claims that we believe would or could have, individually or in the aggregate, a material adverse effect on us. Regardless of final outcomes, however, any such proceedings or claims may nonetheless impose a significant burden on management and employees and may come with costly defense costs or unfavorable preliminary interim rulings.

ITEM 1A. RISK FACTORS

Investors should carefully review and consider the information regarding certain factors which could materially affect our business, operating results, cash flows, and financial condition set forth under Item 1A, Risk Factors, in our fiscal 2021 Annual Report on Form 10-K filed with the SEC on April 14, 2022. There have been no material changes to such risk factors, except as set forth below. The risk factors set forth below supplement, and should be read together with, that section for disclosures regarding what we believe are the more significant risks and uncertainties related to our businesses. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations.

We are subject to the possible repayment of a claimed CMS overpayment, but we cannot predict the outcome.

On April 15, 2021, the Company received notification from Covent Bridge Group, a Center for Medicare & Medicaid Services (“CMS”) contractor, that they are recommending to CMS that the Company was overpaid in the amount of \$2,921,868. This amount represents a statistical extrapolation of \$11,530 of charges from a sample of 40 claims for the periods February 2017 to November 2020.

On June 3, 2021, the Company received a request for payment from CMS in the amount of \$2,918,472. The Company initiated the appropriate appeals and then the Company received a notification dated September 30, 2021, from CMS that they “found the request to be favorable by reversing the extrapolation to actual”. The Company received a separate notification stating “the extrapolated overpayment was reduced to the actual overpayment amount for the sampled denied claims \$5,327.73,” which was paid in 2021.

This amount represented a statistical extrapolation of \$11,530 of charges from a sample of 40 claims for the periods February 2017 to November 2020. The Company began its own internal audit process and disagrees with the interpretation of the medical records and the extrapolation techniques used to derive the balance. The Company continued the appeals process to the second level appeal related to the error rate and are anticipating a third appeal on the remaining \$5,327.73 amount.

On October 21, 2021, the Company received notification from Covent Bridge Group, a Center for Medicare & Medicaid Services (“CMS”) contractor, that they are recommending to CMS that the Company was overpaid in the amount of \$2,716,056.33. This amount represents a statistical extrapolation of \$6,791.33 of charges from a sample of 38 claims for the periods July 2017 to November 2020 for Progressive Health & Rehabilitation, Ltd (“Progressive Health”). The Company entered into a management agreement with Progressive Health in April 2019 and therefore liable for only a portion of the sampled claims. There were a total of 38 claims reviewed, 25 of these claims were from the period prior to the management agreement with the Company and the remaining 13 claims were related to the period that Progressive Health was managed by the Company. In December 2021, the Company received a request for payment from CMS in the amount of \$2,709,265. The Company has begun its own internal audit process and has initiated the appropriate appeals.

The Company is unable to predict the timing and ultimate outcome of this matter. Any potential loss may be classified as errors and omissions for which insurance coverage was in place during a majority of the years being evaluated. As of March 31, 2022, the Company has recorded no liability for this claim as we do not believe that an estimate of a reasonably possible loss or range of loss can be made at this time.

We recorded a net loss for the three months ended March 31, 2022 and March 31, 2021 and there can be no assurance that our future operations will result in net income.

For the three months ended March 31, 2022 and the three months ended March 31, 2021, we had net revenue of approximately \$3,895,000 and \$3,064,000, respectively, and we had net loss of approximately \$3,162,000 and \$2,229,000, respectively. There can be no assurance that our future operations will result in net income. Our failure to increase our revenues or improve our gross margins will harm our business. We may not be able to sustain or increase profitability on a quarterly or annual basis in the future. If our revenues grow more slowly than we anticipate, our gross margins fail to improve or our operating expenses exceed our expectations, our operating results will suffer. The fee we charge for our management services may decrease, which would reduce our revenues and harm our business. If we are unable to sell our services at acceptable prices relative to our costs, or if we fail to develop and introduce new services on a timely basis and services from which we can derive additional revenues, our financial results will suffer.

Any of these factors could cause or contribute to the risks and uncertainties identified in our Annual Report on Form 10-K for the year ended December 31, 2021 and could materially adversely affect our business, financial condition and results of operations.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Description
3.1	<u>Certificate of Incorporation of IMAC Holdings, Inc. (filed as Exhibit 3.1 to the Company's Registration Statement on Form S-1 filed with the SEC on September 17, 2018 and incorporated herein by reference).</u>
3.2	<u>Certificate of Amendment to the Certificate of Incorporation of IMAC Holdings, Inc. (filed as Exhibit 3.2 to the Company's Registration Statement on Form S-1/A filed with the SEC on December 10, 2018 and incorporated herein by reference).</u>
3.3	<u>Certificate of Correction of the Certificate of Incorporation of IMAC Holdings, Inc. filed with the Delaware Secretary of State on August 8, 2019 (filed as Exhibit 3.4 to the Company's Current Report on Form 8-K filed with the SEC on August 9, 2019 and incorporated herein by reference).</u>
3.4	<u>Bylaws of IMAC Holdings, Inc. (filed as Exhibit 3.2 to the Company's Registration Statement on Form S-1 filed with the SEC on September 17, 2018 and incorporated herein by reference).</u>
4.1	<u>Specimen Common Stock Certificate (filed as Exhibit 4.1 to the Company's Registration Statement on Form S-1 filed with the SEC on September 17, 2018 and incorporated herein by reference).</u>
4.2	<u>Form of Common Stock Warrant certificate (filed as Exhibit 4.2 to the Company's Registration Statement on Form S-1/A filed with the SEC on December 3, 2018 and incorporated herein by reference).</u>
4.3	<u>Form of Warrant Agency Agreement between IMAC Holdings, Inc. and Equity Stock Transfer, LLC (filed as Exhibit 4.3 to the Company's Registration Statement on Form S-1/A filed with the SEC on December 3, 2018 and incorporated herein by reference).</u>
4.4	<u>Form of Underwriters' Unit Purchase Option (filed as Exhibit 4.4 to the Company's Registration Statement on Form S-1/A filed with the SEC on February 8, 2019 and incorporated herein by reference).</u>
10.1	<u>Employment Agreement, dated as of February 4, 2022 and commencing February 21, 2022, between IMAC Holdings, Inc. and Dr. Ben Lerner. (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on February 24, 2022 and incorporated herein by reference).</u>

- 31.1* [Certification of the Principal Executive Officer pursuant to Rules 13a-14\(a\) and 15d-14\(a\) promulgated pursuant to the Securities Exchange Act of 1934, as amended.](#)
- 31.2* [Certification of the Principal Financial Officer pursuant to Rules 13a-14\(a\) and 15d-14\(a\) promulgated pursuant to the Securities Exchange Act of 1934, as amended.](#)
- 32.1** [Certification of the Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 32.2** [Certification of the Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 101.INS* Inline XBRL Instance Document
- 101.SCH* Inline XBRL Taxonomy Extension Schema
- 101.CAL* Inline XBRL Taxonomy Extension Calculation Linkbase
- 101.LAB* Inline XBRL Taxonomy Extension Labels Linkbase
- 101.PRE* Inline XBRL Taxonomy Extension Presentation Linkbase
- 101.DEF* Inline XBRL Taxonomy Extension Definition Linkbase
- 104 Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith.

** This certification is being furnished solely to accompany this quarterly report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of IMAC Holdings, Inc., whether made before or after the date hereof, regardless of any general incorporation language in such filing.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

IMAC HOLDINGS, INC.

Date: May 12, 2022

By: */s/ Jeffrey S. Ervin*

Jeffrey S. Ervin
Chief Executive Officer
(Principal Executive Officer)

Date: May 12, 2022

By: */s/ Sheri Gardzina*

Sheri Gardzina
Chief Financial Officer
(Principal Financial and Accounting Officer)

**CERTIFICATION OF
PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Jeffrey S. Ervin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of IMAC Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 12, 2022

/s/ Jeffrey S. Ervin

Jeffrey S. Ervin

Chief Executive Officer

(Principal Executive Officer)

**CERTIFICATION OF
PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Sheri Gardzina, certify that:

1. I have reviewed this quarterly report on Form 10-Q of IMAC Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 12, 2022

/s/ Sheri Gardzina

Sheri Gardzina

Chief Financial Officer

(Principal Financial and Accounting Officer)

**CERTIFICATION OF
PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350
(SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)**

In connection with the accompanying Quarterly Report on Form 10-Q of IMAC Holdings, Inc. for the period ended March 31, 2022, I, Jeffrey S. Ervin, Chief Executive Officer of IMAC Holdings, Inc., hereby certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) such Quarterly Report on Form 10-Q of IMAC Holdings, Inc. for the period ended March 31, 2022, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in such Quarterly Report on Form 10-Q of IMAC Holdings, Inc. for the period ended March 31, 2022, fairly presents, in all material respects, the financial condition and results of operations of IMAC Holdings, Inc. at the dates and for the periods indicated.

This certification has not been, and shall not be deemed, “filed” with the Securities and Exchange Commission.

May 12, 2022

/s/ Jeffrey S. Ervin

Jeffrey S. Ervin
Chief Executive Officer
(Principal Executive Officer)

A signed copy of this written statement required by Section 906 has been provided to IMAC Holdings, Inc. and will be retained by IMAC Holdings, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION OF
PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350
(SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)**

In connection with the accompanying Quarterly Report on Form 10-Q of IMAC Holdings, Inc. for the period ended March 31, 2022, I, Sheri Gardzina, Chief Financial Officer of IMAC Holdings, Inc., hereby certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) such Quarterly Report on Form 10-Q of IMAC Holdings, Inc. for the period ended March 31, 2022, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in such Quarterly Report on Form 10-Q of IMAC Holdings, Inc. for the period ended March 31, 2022, fairly presents, in all material respects, the financial condition and results of operations of IMAC Holdings, Inc. at the dates and for the periods indicated.

This certification has not been, and shall not be deemed, “filed” with the Securities and Exchange Commission.

May 12, 2022

/s/ Sheri Gardzina

Sheri Gardzina

Chief Financial Officer

(Principal Financial and Accounting Officer)

A signed copy of this written statement required by Section 906 has been provided to IMAC Holdings, Inc. and will be retained by IMAC Holdings, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.
